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CONTACT:

Mayor's Press Office

312.744.3334

press@cityofchicago.org

MAYOR LIGHTFOOT AND CITY COUNCIL PASS FIRST NEW WATER SUPPLY AGREEMENT IN 40 YEARS WITH THE CITY OF JOLIET

City projects \$30M of annual additional revenues or \$1B of financial value for what will be the second largest water customer in the Chicago Water System

CHICAGO — Mayor Lori E. Lightfoot and City Council passed a historic final water supply contract with the City of Joliet to provide water to Joliet and five communities in the southwest suburbs, collectively known as the Grand Prairie Water Commission.

“Whether it’s the pandemic, economic development, or our water supply, we know that we are better collaborating together as a region. This transaction moves forward our collaboration with northeast Illinois in a big way,” said Mayor Lightfoot. “Lake Michigan and the City’s water system is one of our most precious assets, and we are pleased to now share that with 250,000 residents of the southwest suburbs in this water supply contract with Joliet.”

This water supply contract is the first new water supply contract for the City of Chicago in nearly 40 years. The Grand Prairie Water Commission is expected to be the second largest water customer in the City’s water system and is expected to generate approximately \$30M of annual water revenues for the Chicago Department of Water Management (DWM) or nearly \$1B in financial value. The City of Joliet is the third most populous City in the State.

“This is a historic contract which not only solidifies the competitive landscape of water supply for the City of Chicago — it also puts the water system back into a growth mode,” said Jennie Huang Bennett, Chief Financial Officer. “Even more importantly, the regional collaboration and trust that we have built through the process is invaluable and will accrue to the benefit of the 5 million water customers served by the City of Chicago Water System, or over 40% of the State.”

In 2019, Joliet issued an RFP to seek an alternative water source from the underground aquifers that are running dry. In January 2021, the City of Joliet selected the City as top candidate to negotiate a water supply agreement as its water supplier. To support this effort, the City Council approved a preliminary water supply contract



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with Joliet in December 2020 and again in February 2021. Under the agreement approved today, the City will begin providing water to Joliet and the member communities of the Grand Prairie Water Commission in 2030.

“Our track record of reliability coupled with our world-class research and expertise put Chicago at the top of the Joliet’s list for a water supplier,” said Dr. Andrea Cheng, Commissioner of the Department of Water Management. “They have joined the list of 120 area suburbs that have placed their trust in us as a reliable provider of the highest quality water for their future.”

As a part of the contract, the City of Joliet will construct and pay for a nearly \$1B pipeline, suction well and pumping stations from Joliet to the City of Chicago that will connect to the Chicago Water System at the City’s Southwest Pumping Station. Further, Joliet will provide nearly \$4M in community benefits, during the construction period. The funds will be provided to the Park District to improve nearby parks and restore the Durkin Park to a grass field after construction is complete.

“This is a great project for Chicago, bringing in revenues to help support the water system. The capital improvements made in the 18th ward are also supportive of the parks needs for my community and demonstrates Joliet’s partnership with the community,” said Ald. Derrick Curtis.

Mayor Lightfoot has upheld regionalism as a core value of her administration. This regional collaboration has led to the creation of the Chicago Water Partners Advisory Council (CWPAC), an advisory council that will give the City’s regional water partners a seat at the table. This advisory council, which serves as an important voice in giving feedback to the City on water operations, will foster stronger regional collaboration toward better water supply to the region.

“Strengthening Chicago’s relationships with its suburban water customers and advancing regional collaboration through the new Chicago Water Partners Advisory Council is critically important to the success of the City’s Water System,” said David Kohn, Deputy Commissioner for Regional Partnerships at the Department of Water Management. “The CWPAC and the water supply agreement with Joliet enhance Chicago’s position as the premier water provider to more than 5 million people in northeastern Illinois.”

As part of today’s agreement, the City commits to future implementation of the American Water Works Association (AWWA) cost-of-service water rate methodology for its suburban water customers. Considered the gold standard for rate setting by public water suppliers, the AWWA methodology establishes water rates based upon



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the specific components of the supplier’s system that are “used and useful” in providing water service to each wholesale customer.

Since the start of her administration, Mayor Lightfoot has tackled the City’s pending lead service line replacement liability head on. In 2020, she kick-started Phase I of LSLR, and funded 3 lead service line replacement programs to explore most efficient methods of lead service line replacement and address highest need replacements immediately. The City has also developed a finance plan that will pay for the lead service line replacements for at least the next 20 years without increasing retail residential water rates beyond the current CPI growth. The City has also modernized its water and wastewater bond covenants for the first time in 19 years.

“The combination of the Joliet transaction, the commitment to regionalism which will solidify the Chicago water supply community, the AWWA conversion, the lead service line replacement finance plan, and the modernization of the indentures are all credit positives that have led to six upgrades of the water and sewer system over the last eight months,” said Jack Brofman, Deputy Chief Financial Officer.

The water and sewer credits were upgraded by Moody’s, S&P and Fitch, the first time in seven to 12 years for both credits and S&P recently upgraded the water and sewer credits each by one notch April 11, 2023.

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